

State of Alaska FY2010 Governor's Operating Budget

**Department of Commerce, Community, and Economic
Development
Office of Economic Development
Component Budget Summary**

Component: Office of Economic Development

Contribution to Department's Mission

Advance successful tourism, film, fisheries, forest products, minerals and small business assistance programs in order to increase economic activity in Alaska and create new employment opportunities for Alaskans.

Core Services

- Provide policy recommendations and staff support to the Governor and Commissioner on tourism, film, fisheries, forest products, minerals and business development issues.
- Provide a link between Alaska communities (especially rural communities), government, businesses, and industry sectors.
- Compile industry data and provide analysis to the public and industry.
- Support development of potential growth industries and products.
- Monitor changes in Alaska's economic climate and recommend adjustments as necessary.
- Provide technical assistance to industry and to potential entrepreneurs.
- Support export-led development.
- Analyze the economic effect of proposed regulations on small businesses
- Manage the Alaska Regional Development Organizations (ARDORs) program, the Made in Alaska program, the Alaska Manufacturing Extension Partnership (AMEP) and the Alaska Marketplace Program (AMP).

End Result	Strategies to Achieve End Result
<p>A: Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.</p> <p><u>Target #1:</u> Increased economic benefits from visitors each year.</p> <p><u>Status #1:</u> Met objective of increasing economic benefits by increasing lodging tax revenues statewide by 39% and in rural areas (not including Anchorage, Fairbanks and Juneau) by 18%.</p> <p><u>Target #2:</u> One or more successful tourism development projects or new businesses developed in 4-6 rural Alaska community clusters each year.</p> <p><u>Status #2:</u> Met objective of assisting development of 4-6 new tourism projects or businesses. The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses.</p>	<p>A1: Implement Rural Visitor Industry Product Development Program and Tourism Business Mentorship Program.</p> <p><u>Target #1:</u> Provide technical assistance in mentorship in 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.</p> <p><u>Status #1:</u> Met objective of providing assistance to 4-6 rural community clusters through the Developing Alaska Rural Tourism program.</p> <p>A2: Improve customer service skills and employability of Alaska's workforce.</p> <p><u>Target #1:</u> Increase number of students who complete AlaskaHost customer service training by 10% each year.</p> <p><u>Status #1:</u> Did not meet goal of increasing number of students receiving AlaskaHost training. Number of students trained between FY07 and FY08 decreased by 40.6%.</p> <p>A3: Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public Lands Information Center (TAPLIC).</p> <p><u>Target #1:</u> Increase the number of highway travelers served at the Tok Alaska Public Lands Information</p>

	<p>Center (APLIC)</p> <p><u>Status #1:</u> Met objective of increasing the number of visitors served by the Alaska Public Lands Information Center. Visitors served increased by 21.1% from 6,974 in 2007 to 8,466 in 2008.</p> <p>A4: Conduct research at consistent intervals to determine economic impact of the visitor industry at state and regional levels.</p> <p><u>Target #1:</u> Increased economic contribution of all travel and tourism expenditures in Alaska.</p> <p><u>Status #1:</u> No new economic impact data is available. Tourism spending is estimated to have increased by 6.67% between Summer 2006 and Summer 2007 so economic impact is expected to have increased accordingly.</p> <p><u>Target #2:</u> Increased employment resulting from travel and tourism expenditures in Alaska.</p> <p><u>Status #2:</u> No new economic impact data is available to identify specific increases in tourism employment related to travel and tourism expenditures in Alaska. However, since we estimate that tourism spending has increased by 6.67% between Summer 2006 and Summer 2007, economic impact is expected to have increased accordingly.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase the value of the minerals industry in Alaska.</p> <p><u>Target #1:</u> 10% annual increase in statewide mineral exploration spending.</p> <p><u>Status #1:</u> Met target of increasing statewide mineral exploration spending by 10% annually, with an 83.96% increase in mineral exploration spending between 2006 and 2007; spending is forecast to decrease slightly between 2007 and 2008; the actual numbers will not be determined until mid-2009.</p> <p><u>Target #2:</u> 10% annual increase in statewide mineral development expenditures.</p> <p><u>Status #2:</u> Did not meet target of increasing statewide mineral development expenditures by 10% annually, with a 35.69% decrease in minerals development expenditures between 2006 and 2007. The decrease is primarily the result of project completion and a lack of progress on existing project construction. The value is expected to increase between 2007 and 2008 by 3.67%.</p> <p><u>Target #3:</u> 10% annual increase in statewide mineral production value.</p> <p><u>Status #3:</u> Met target of increasing statewide mineral production value by 10% annually, with an 17.8% increase in minerals production value between 2006 and</p>	<p>B1: Be a strong advocate for minerals resource development.</p> <p><u>Target #1:</u> Maintain and improve trade show participation, and improve information products for the public.</p> <p><u>Status #1:</u> Actual participation was at four trade shows in FY 2008 with one more forecast for FY 2009.</p> <p><u>Target #2:</u> Publish two mining industry analysis reports each calendar year.</p> <p><u>Status #2:</u> On track to meet target of publishing two mining industry analysis reports each calendar year. The preliminary and final Alaska Minerals Industry Reports for 2007 have been published as of December, 2008. The Alaska Minerals Commission Report will be published in January, 2009.</p> <p><u>Target #3:</u> Improve the image of the minerals industry within the public sector in Alaska.</p> <p><u>Status #3:</u> Met target of improving the image of the minerals industry by providing information, delivering presentations and participating in workforce and educational development efforts in FY08.</p>

<p>2007. The value is forecast to decrease between 2007 and 2008 by 28.86%.</p> <p><u>Target #4:</u> 10% annual increase in total value of the Alaska minerals industry.</p> <p><u>Status #4:</u> Statewide mineral production value increased 13.65% from 2006 to 2007, exceeding the 10% target with a \$4.0 billion value of the Alaska minerals industry for 2007.</p>	
End Result	Strategies to Achieve End Result
<p>C: Economic return to the Alaska seafood industry from commercially harvested seafood is increased.</p> <p><u>Target #1:</u> By end of FY09, increase the number of Regional Seafood Development Associations (RSDAs) by 20%.</p> <p><u>Status #1:</u> Current number of RSDAs is four. On target to meet goal of increasing number of RSDAs by 20% by close of FY09.</p> <p><u>Target #2:</u> Increase the value of the coastal mariculture industry to at least \$500,000 by close of FY09.</p> <p><u>Status #2:</u> Data is being updated to reflect changes since FY2007 and will be available at the end of FY2009. It is expected that the industry will be progressing toward the target.</p>	<p>C1: Facilitate economic activities in rural communities.</p> <p><u>Target #1:</u> Meet with four Regional Seafood Development Associations (RSDAs) and two Alaska Regional Development Organizations (ARDORs) annually.</p> <p><u>Status #1:</u> Met target of meeting with four Regional Seafood Development Associations (RSDAs) and two Alaska Regional Development Organizations (ARDORs) annually.</p> <p>C2: Strengthen the decision-making base of information and materials aimed at providing timely, accurate commercial fisheries resources information.</p> <p><u>Target #1:</u> Research and write annual reports describing the economic impacts and benefits of the Alaska seafood industry.</p> <p><u>Status #1:</u> Met target to research and write annual reports describing economic impacts of seafood industry in the 2007 Alaska Economic Performance Report. (Report published November 2008)</p>
End Result	Strategies to Achieve End Result
<p>D: Alaska Regional Development Organizations (ARDORS) will be more effective in creating and sustaining economic activity within their respective regions.</p> <p><u>Target #1:</u> The average rate of leveraged local dollars to State dollars is 4.0</p> <p><u>Status #1:</u> With a statewide actual leveraged rate of 5.17 of local dollars to state dollars, the ARDORS program exceeded the target of a 4.0 leverage rate.</p>	<p>D1: Increase the average rate of leveraged local dollars to State dollars.</p> <p><u>Target #1:</u> The average rate of leveraged local dollars to State dollars is 4.0</p> <p><u>Status #1:</u> With a statewide actual leveraged rate of 5.17 of local dollars to state dollars, the ARDORS program exceeded the target of a 4.0 leverage rate.</p>
End Result	Strategies to Achieve End Result
<p>E: Increased economic benefits from sale of Alaska manufactured products.</p> <p><u>Target #1:</u> Increased number of jobs resulting from the sale of Made in Alaska manufactured products.</p>	<p>E1: Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.</p> <p><u>Target #1:</u> Increase the number of certified Made in</p>

<p>Status #1: It is difficult to determine the number of jobs the Made in Alaska program produces directly. The registration process for "Made in Alaska" manufacturers and vendors is being changed. The new process should provide data on value of product, number of products, and number of employees. Data will become available during Fiscal Year 2009.</p>	<p>Alaska vendors by 3% per year.</p> <p>Status #1: Target of 3% per year growth in Made in Alaska vendors not met - as of August, 2008; there was a 1.14% increase in the number of certified Made in Alaska vendors.</p> <p>Target #2: Increase the number of Made in Alaska certified products manufactured per year.</p> <p>Status #2: Data will be collected and reported during Fiscal Year 2009.</p>
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Major Activities to Advance Strategies

- Conduct and publish annual studies to determine the state of the minerals, seafood, timber, and tourism industries.
- Provide, to the maximum extent possible, information to the public regarding the minerals, fisheries, timber, and tourism industries.
- Administer grant programs as funding becomes available.
- Publish the Net Return to the State of Alaska, which documents state revenues and expenditures associated with fisheries, mining, timber and tourism.
- Analyze and prepare a report on the effects of regulations on small business for the Department and Legislature.
- Network with business providers around the state and enhance service delivery.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$3,085,500

Personnel:

Full time	13
Part time	2
Total	15

Performance

A: Result - Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.

Target #1: Increased economic benefits from visitors each year.

Status #1: Met objective of increasing economic benefits by increasing lodging tax revenues statewide by 39% and in rural areas (not including Anchorage, Fairbanks and Juneau) by 18%.

Rural Alaska Lodging Tax Revenue (millions \$) w/o ANC, JNU, FBX

Year	YTD Total
2007	6.4 +17.43%
2006	5.45 -1.8%
2005	5.55 +22.25%
2004	4.54 +9.66%
2003	4.14 +2.22%
2002	4.05 -7.11%
2001	4.36 +9.82%
2000	3.97

Analysis of results and challenges: Statewide municipal lodging tax revenues increased by 39% between 2006 and 2007 from \$22.1 million to \$30.8 million. When Anchorage, Fairbanks, Fairbanks North Star Borough and Juneau are excluded, municipal lodging taxes for more rural areas of the state still increase by a significant 18% from \$5.45 million in 2006 to \$6.4 million in 2007

Target #2: One or more successful tourism development projects or new businesses developed in 4-6 rural Alaska community clusters each year.

Status #2: Met objective of assisting development of 4-6 new tourism projects or businesses. The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses.

New Tourism Projects in Rural Alaska

Fiscal Year	YTD Total
FY 2008	4 +33.33%
FY 2007	3 -57.14%
FY 2006	7 0%
FY 2005	0

Methodology: Count of new projects in rural Alaska.

Analysis of results and challenges: The Developing Alaska Rural Tourism (DART) program was started in FY2006 with a grant from the U.S. Economic Development Administration (EDA) and funding (personnel) from the Alaska Department of Commerce Community & Economic Development. EDA funding was in place during FY06 and 07, and will be in place for FY09 and 10. In FY08, a USDA grant funded the Tourism Mentorship Assistance Program.

The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses in four rural communities.

A1: Strategy - Implement Rural Visitor Industry Product Development Program and Tourism Business Mentorship Program.

Target #1: Provide technical assistance in mentorship in 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.

Status #1: Met objective of providing assistance to 4-6 rural community clusters through the Developing Alaska Rural Tourism program.

Number of Community Clusters Receiving Technical Assistance

Fiscal Year	YTD Total
FY 2008	4 0%
FY 2007	4 -42.86%
FY 2006	7 +75%
FY 2005	4 0%
FY 2004	0

Analysis of results and challenges: In FY08, tourism staff continued to assist with tourism development projects in four primary regions and with projects and business mentorships in several other individual communities. Assistance was provided to the following major community groups to develop marketing strategies, marketing partnerships, or package tourism products and attractions:

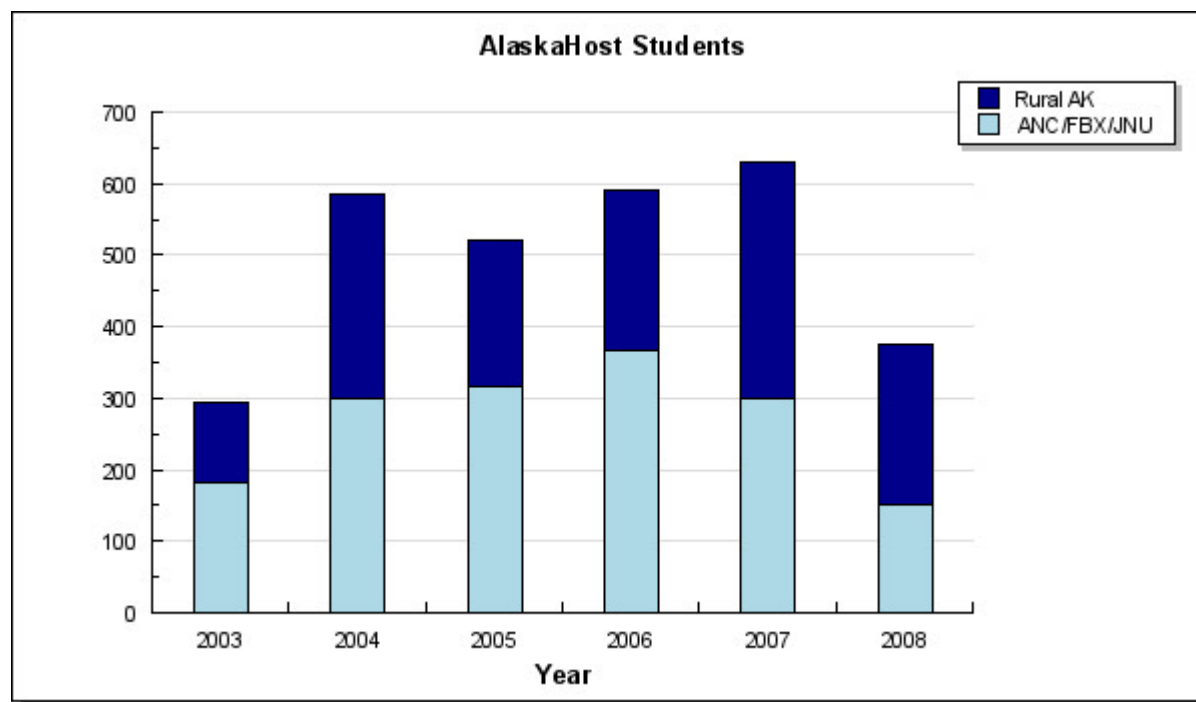
- (1) Central Southeast Alaska
- (2) Yukon-Kuskokwim Delta Communities
- (3) Copper Valley Communities
- (4) Bering Strait Region

Additional projects and mentorships occurred in the following communities: Galena, Tok, Kake, Klukwan, Port Graham, Skagway, Barrow.

A2: Strategy - Improve customer service skills and employability of Alaska's workforce.

Target #1: Increase number of students who complete AlaskaHost customer service training by 10% each year.

Status #1: Did not meet goal of increasing number of students receiving AlaskaHost training. Number of students trained between FY07 and FY08 decreased by 40.6%.



AlaskaHost Students

Year	ANC/FBX/JNU	Rural AK	YTD Total
2008	151 -49.67%	223 -32.42%	374 -40.63%
2007	300 -18.26%	330 +46.67%	630 +6.42%
2006	367 +16.14%	225 +10.29%	592 +13.85%
2005	316 +4.98%	204 -27.92%	520 -10.96%
2004	301 +65.38%	283 +154.95%	584 +99.32%
2003	182	111	293

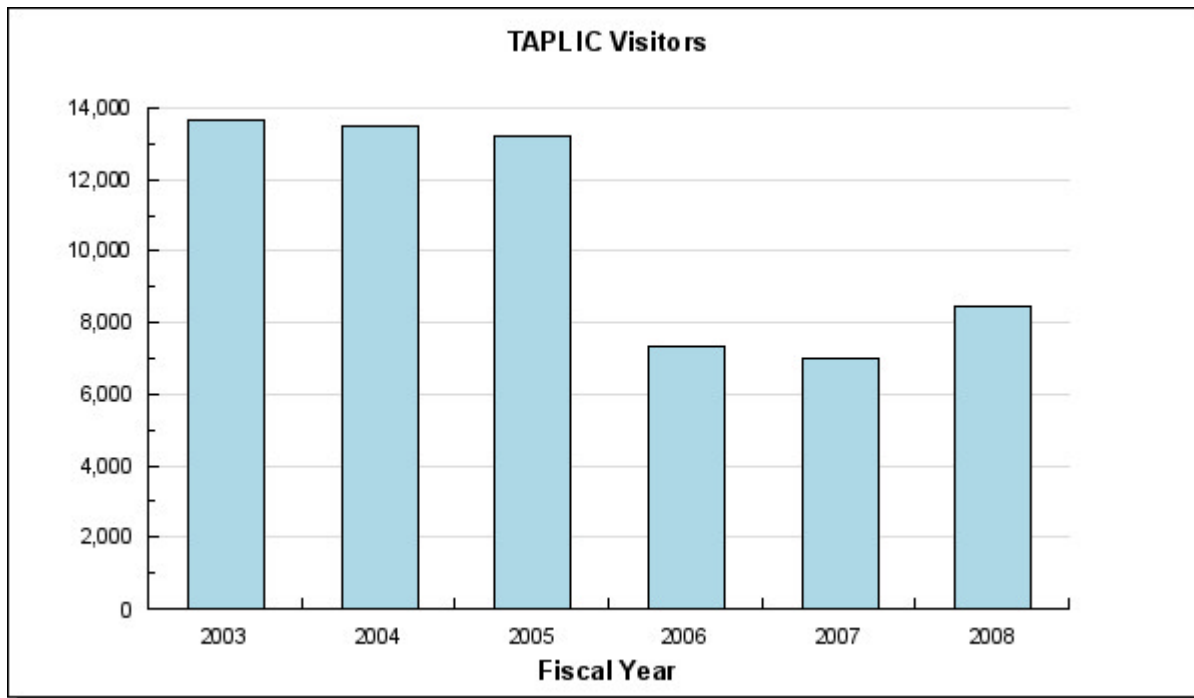
Analysis of results and challenges: The total number of students who completed AlaskaHost training decreased overall by 41% from 630 in 2007 to 374 in 2008. The decrease includes a 50% decrease in the number of students who completed AlaskaHost training in communities in Anchorage, Fairbanks and Juneau and a 32% decrease in students outside these communities (from 330 in 2007 to 223 in 2008).

The decrease is primarily due to limited funding available to conduct AlaskaHost training and less exposure for the program. These reductions were a result of the Economic Development Administration, U.S. Department of Commerce ending its support for rural tourism development in June 2007. New funding for rural tourism development became available again in August 2008 and it is expected to increase student participation in FY09.

A3: Strategy - Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public Lands Information Center (TAPLIC).

Target #1: Increase the number of highway travelers served at the Tok Alaska Public Lands Information Center (APLIC)

Status #1: Met objective of increasing the number of visitors served by the Alaska Public Lands Information Center. Visitors served increased by 21.1% from 6,974 in 2007 to 8,466 in 2008.



Methodology: TAPLIC: Tok Alaska Public Lands Information Center

TAPLIC Visitors

Fiscal Year	YTD Total
FY 2008	8,446 +21.11%
FY 2007	6,974 -5.3%
FY 2006	7,364 -44.24%
FY 2005	13,207 -2.33%
FY 2004	13,522 -1.02%
FY 2003	13,662

Analysis of results and challenges: The Tok APLIC is one of four centers that support the appropriate use and enjoyment of Alaska public lands and resources through "one-stop shopping" for public lands information, trip-planning assistance, highway, fire, and travel safety information. These interactive and fully accessible facilities are nationally recognized for providing consistent, high quality services at all four statewide locations. The Tok APLIC provides reservation and ticketing services for the Alaska Marine Highway System from a critical location on the Alaska Highway near the Canadian border.

FY 08:

- Visitors to the Tok Center – 8,446
- AMHS Deposits - \$171,634

A new Tok APLIC is under design and will be part of the US Fish and Wildlife Service's Tetlin National Wildlife Refuge Visitor Center in Tok. The new facility is expected to help in the effort to increase economic impact of visitors while in Alaska as well as increase their appreciation and enjoyment of the state while they are here. In FY08, the US Fish and Wildlife Service completed the purchase of a new site for the interagency facility.

A4: Strategy - Conduct research at consistent intervals to determine economic impact of the visitor industry at state and regional levels.

Target #1: Increased economic contribution of all travel and tourism expenditures in Alaska.

Status #1: No new economic impact data is available. Tourism spending is estimated to have increased by 6.67% between Summer 2006 and Summer 2007 so economic impact is expected to have increased accordingly.

Economic Contribution of Travel and Tourism in Alaska (billions of dollars)

Year	YTD Total
2007	NA
2006	NA
2002	1.5

Analysis of results and challenges: Funding for a tourism economic impact study was approved for FY09. New data will be available to update this measure at the end of FY09.

Travel and tourism's economic contribution in Alaska reached \$1.5 billion in 2002. This amount (sales net related imports into the state) contributed 5.2% to Alaska Gross State Product (GSP) and includes direct and indirect effects of all travel and tourism expenditures, but not induced (multiplier effects).

Traditionally, the Department of Commerce is the primary provider of Alaska visitor statistics and economic impact studies for government and private sector use and planning. Every four years, the Department of Commerce conducts the Alaska Visitor Statistics Program (AVSP) to gather important information on Alaska visitor characteristics, expenditures and opinions. Following the initial survey, Commerce uses the data to measure the economic impact of these visitors to the state and regional economies.

Target #2: Increased employment resulting from travel and tourism expenditures in Alaska.

Status #2: No new economic impact data is available to identify specific increases in tourism employment related to travel and tourism expenditures in Alaska. However, since we estimate that tourism spending has increased by 6.67% between Summer 2006 and Summer 2007, economic impact is expected to have increased accordingly.

Travel and Tourism-Related Employment

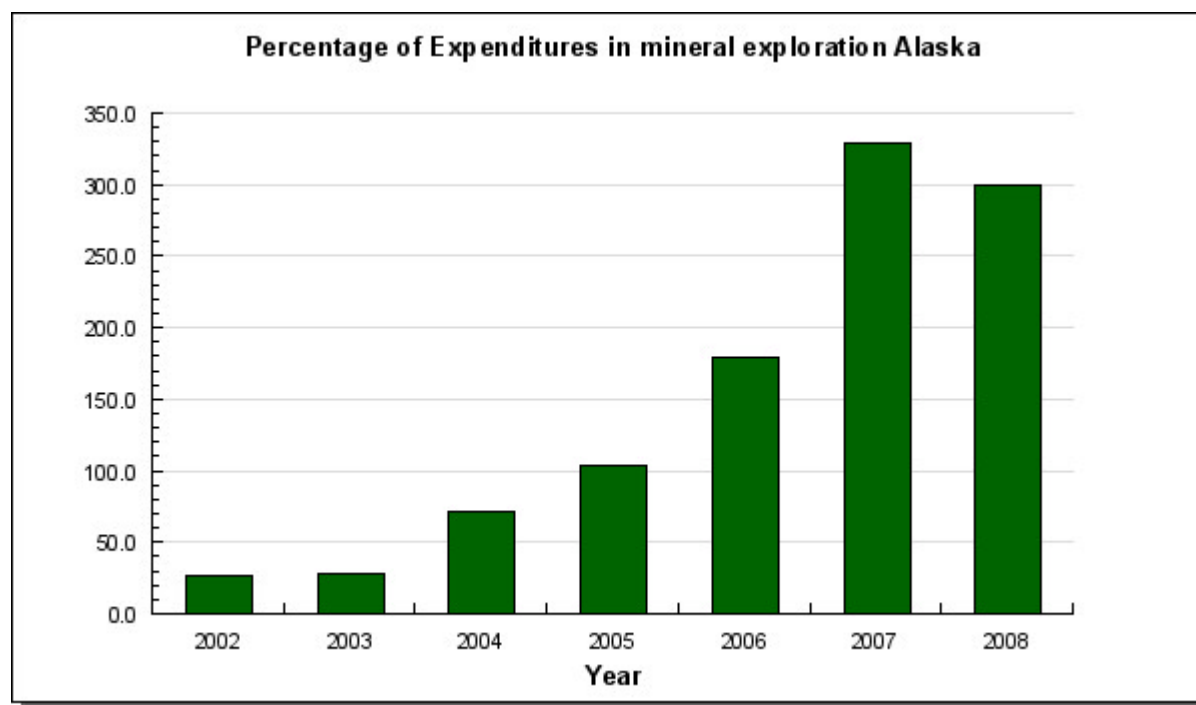
Year	YTD Total
2007	NA
2006	NA
2002	37,650

Analysis of results and challenges: Funding for a tourism economic impact study was approved for FY09. New data will be available to update this measure later in FY09.

B: Result - Increase the value of the minerals industry in Alaska.

Target #1: 10% annual increase in statewide mineral exploration spending.

Status #1: Met target of increasing statewide mineral exploration spending by 10% annually, with an 83.96% increase in mineral exploration spending between 2006 and 2007; spending is forecast to decrease slightly between 2007 and 2008; the actual numbers will not be determined until mid-2009.



Methodology: 2008 data is projected.

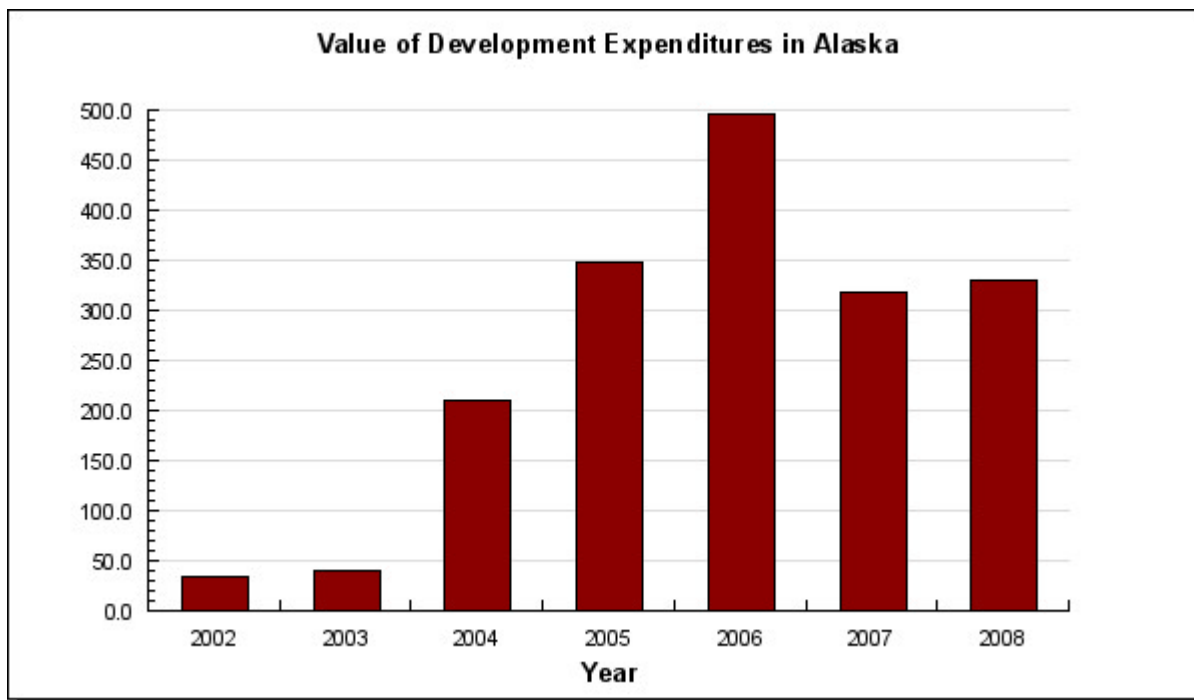
Percentage of Expenditures in mineral exploration Alaska

Year	In Millions	% Increase
2008	300	(8.84%)
2007	329.1	83.96%
2006	178.9	72.2%
2005	103.9	46.75
2004	70.8	156.52%
2003	27.6	4.15%
2002	26.5	0

Analysis of results and challenges: The increase in mineral exploration investment has far surpassed the target from 2006 to 2007. The increase was 83.96%. The increase reflects the pro-development philosophy of the state, the recognition of the very high mineral potential of the state, and increases in metal prices. Public education relative to the importance of the mining industry in Alaska is of paramount importance. The forecast for 2008 indicates a slight decrease due to declines in mineral commodity demand and prices.

Target #2: 10% annual increase in statewide mineral development expenditures.

Status #2: Did not meet target of increasing statewide mineral development expenditures by 10% annually, with a 35.69% decrease in minerals development expenditures between 2006 and 2007. The decrease is primarily the result of project completion and a lack of progress on existing project construction. The value is expected to increase between 2007 and 2008 by 3.67%.



Methodology: 2008 data is projected; 2002-2007 data are actual expenditures.

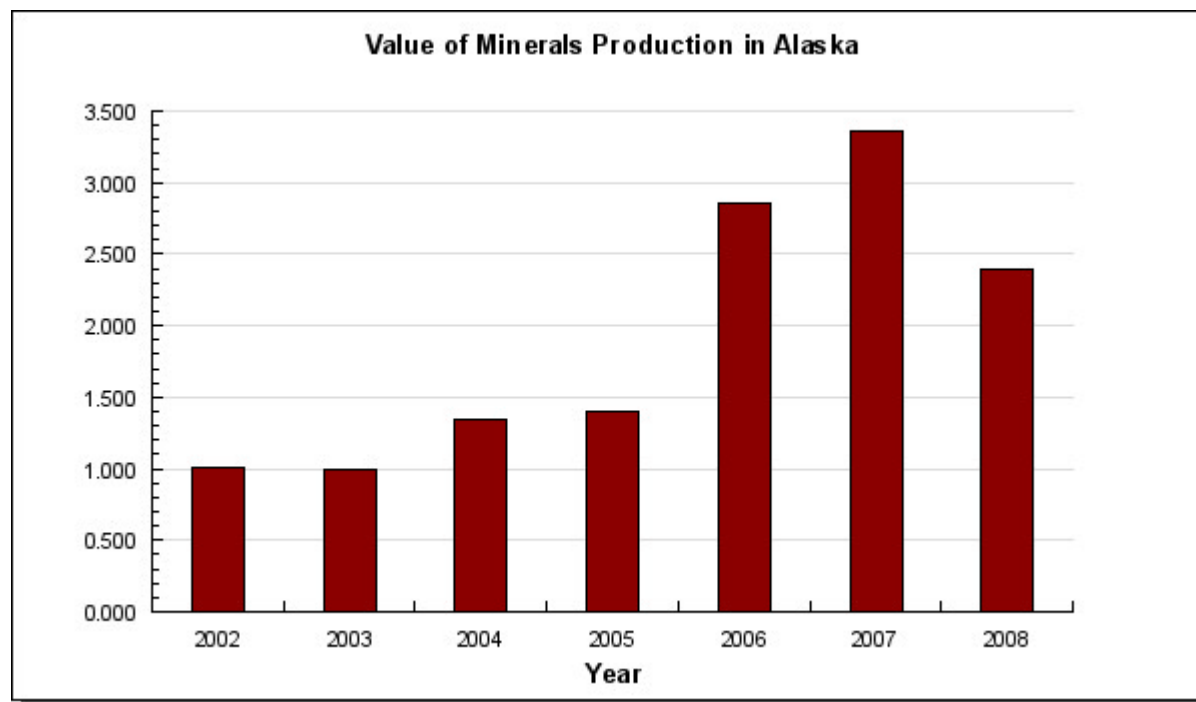
Value of Development Expenditures in Alaska

Year	Millions \$\$	% Increase
2008	330.5	3.67%
2007	318.8	-35.7%
2006	495.7	42.5%
2005	347.9	66.4%
2004	209.1	433.42%
2003	39.2	14.96%
2002	34.1	0

Analysis of results and challenges: Development investment decreased between 2006 and 2007 due to the completion of the Pogo, the near-completion of the Kensington mine, and the completion of construction at Nixon Fork. Development expenditures continued to be strong in spite of this reduction. NovaGold Resources continued construction at Rock Creek. Legal challenges continue to delay construction efforts at Kensington and Chuitna Coal deleted end of sentence. For 2008, the value of development is to increase slightly due to continued construction of the heap leach at Ft. Knox, construction expenditures at Rock Creek (Nome), project work at Red Dog and the Kensington construction effort. Other project expenditures are expected but are minimal due to legal challenges, lower commodity prices, delays due to permitting requirement fulfillment, and other challenges.

Target #3: 10% annual increase in statewide mineral production value.

Status #3: Met target of increasing statewide mineral production value by 10% annually, with an 17.8% increase in minerals production value between 2006 and 2007. The value is forecast to decrease between 2007 and 2008 by 28.86%.



Methodology: 2008 data is projected.

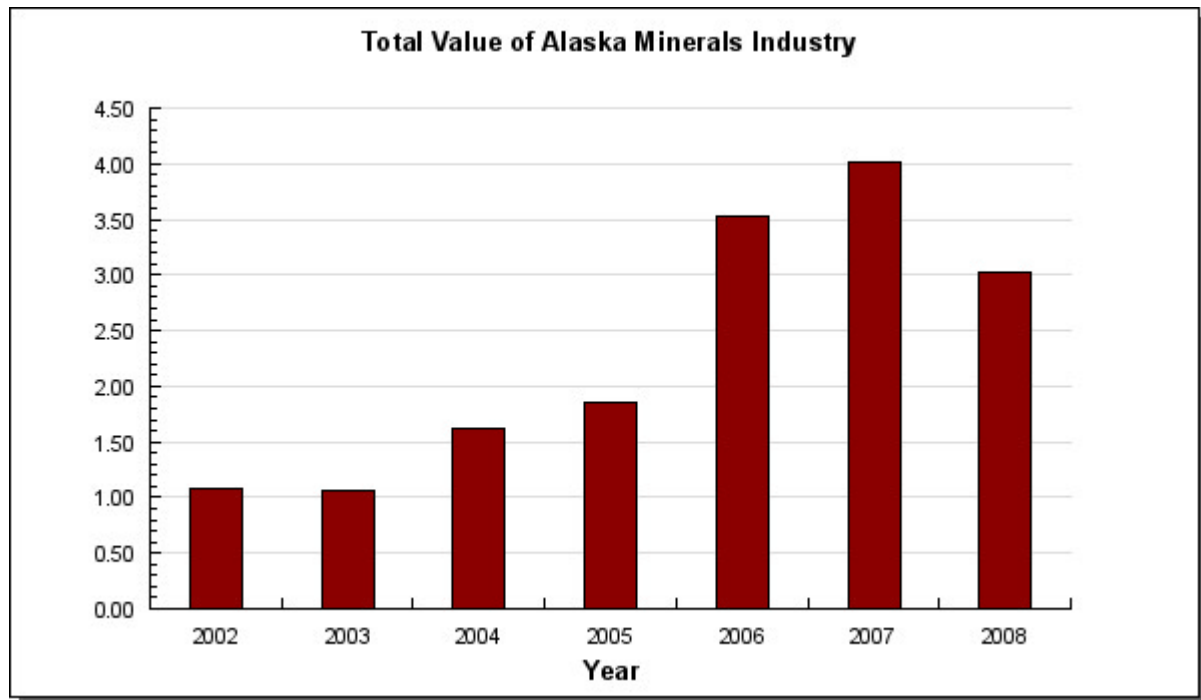
Value of Minerals Production in Alaska

Year	In Billions	% Increase
2008	2.395 -28.87%	-28.86%
2007	3.367 +17.81%	17.80%
2006	2.858 +103.91%	103.92%
2005	1.4016 +4.7%	4.70%
2004	1.3387 +33.78%	33.87%
2003	1.0007 -1.21%	-1.19%
2002	1.013	0

Analysis of results and challenges: Mineral production values increased 17.80% between 2006 and 2007. This increase is very encouraging, but reflects a deceleration in rate of increase from the period 2005 to 2006. Pogo was commissioned during the year, but has not achieved full production. Nixon Fork was shelved during the 2007 due to high costs and ore reserve problems. The value of production in 2008 is forecast to decrease significantly due to lower commodity prices and the start, then closure, of the Rock Creek operation. Delays in the commissioning of Kensington and achievement of full production at Pogo also decreased the forecasted value.

Target #4: 10% annual increase in total value of the Alaska minerals industry.

Status #4: Statewide mineral production value increased 13.65% from 2006 to 2007, exceeding the 10% target with a \$4.0 billion value of the Alaska minerals industry for 2007.



Methodology: 2008 data is projected.

Total Value of Alaska Minerals Industry

Year	Billions \$\$	% Increase
2008	3.03	-24.6%
2007	4.01	13.65%
2006	3.533	90.6%
2005	1.8534	14.51%
2004	1.62	51.64%
2003	1.0674	-.55%
2002	1.0734	0

Analysis of results and challenges: The improvement in actual value between 2006 and 2007 was \$477.0 million, 13.65% over the 2006 value. The average increase in value between 2002 and 2007 has been 56.77% per year, primarily reflecting significant commodity price improvements, but also the development and commissioning of new mines in the state. The forecast for the industry indicates that the overall value will decrease in 2008 and for an indeterminate period due to the following factors: economic worldwide uncertainty, a resulting drop in commodity demand and prices, and the wait while new projects such as Kensington, Donlin Creek, Chuitna Coal, Point Lay Coal, and Pebble are brought to the development and/or production stages. The overall value is forecast to decrease by 24.64% to \$3.03 billion between 2007 and 2008.

Challenges are presented to the state in overcoming high profile negative public sentiment, shortage of skilled personnel, and a lack of infrastructure.

B1: Strategy - Be a strong advocate for minerals resource development.

Target #1: Maintain and improve trade show participation, and improve information products for the public.

Status #1: Actual participation was at four trade shows in FY 2008 with one more forecast for FY 2009.

Number of Trade Show Participation

Fiscal Year	YTD Total	Target
FY 2009	3 -40%	5 -16.67%
FY 2008	5 -16.67%	6 0%
FY 2007	6 0%	6 0%
FY 2006	6 0%	6 0%
FY 2005	6 +100%	6 +100%
FY 2004	3	3

Analysis of results and challenges: Five (5) trade shows were attended in FY 2008. Three trade shows have been attended to date for FY09, followed by two more for the balance of the year.

Target #2: Publish two mining industry analysis reports each calendar year.

Status #2: On track to meet target of publishing two mining industry analysis reports each calendar year. The preliminary and final Alaska Minerals Industry Reports for 2007 have been published as of December, 2008. The Alaska Minerals Commission Report will be published in January, 2009.

Analysis of results and challenges: The publication of the Minerals Industry Report was accomplished on schedule. The most significant challenge to publication of the report is acquiring complete, accurate and timely data from miners and mining companies doing business in the state.

Target #3: Improve the image of the minerals industry within the public sector in Alaska.

Status #3: Met target of improving the image of the minerals industry by providing information, delivering presentations and participating in workforce and educational development efforts in FY08.

Analysis of results and challenges: When invited, continued to provide informational presentations to organized groups. Also, distributed informational CDs; participated in College of Engineering and Mines Advisory and Development Council; appointed to and participated in Statewide Joint Engineering Council for the University of Alaska; and developed and submitted a proposal for public education.

C: Result - Economic return to the Alaska seafood industry from commercially harvested seafood is increased.

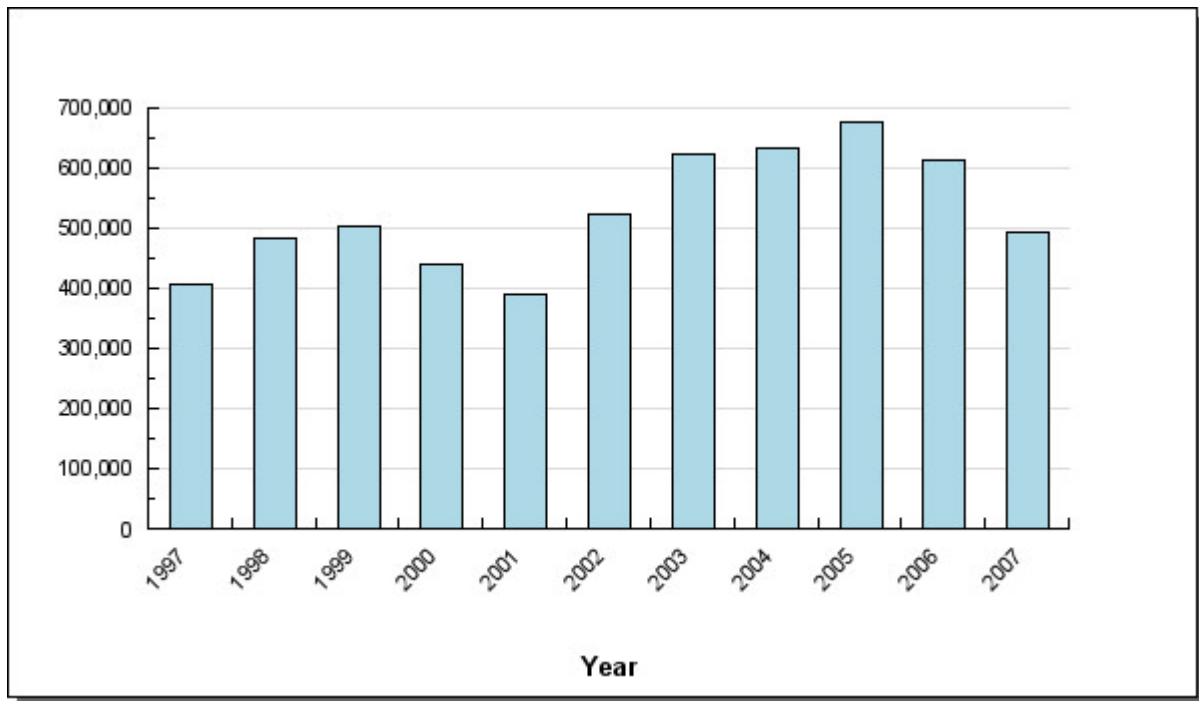
Target #1: By end of FY09, increase the number of Regional Seafood Development Associations (RSDAs) by 20%.

Status #1: Current number of RSDAs is four. On target to meet goal of increasing number of RSDAs by 20% by close of FY09.

Analysis of results and challenges: RSDAs were the result of intensive industry and governmental meetings and planning sessions aimed at improving regional seafood marketing opportunities to directly benefit those regions. A total of 12 RSDAs can be created and there are currently 4: Bristol Bay RSDA; Prince William Sound/Copper River RSDA; Rainforest Wild in Southeast; and Aleutia in Alaska Peninsula and Aleutian Islands. Coordinating with interested parties from the regions and meeting the requirements of the legislation aimed at bringing these groups into existence is a major focus of this section.

Target #2: Increase the value of the coastal mariculture industry to at least \$500,000 by close of FY09.

Status #2: Data is being updated to reflect changes since FY2007 and will be available at the end of FY2009. It is expected that the industry will be progressing toward the target.



Methodology: Source: Alaska Department of Fish and Game, Division of Commercial Fisheries

Year	YTD Total
2007	493,458 -19.63%
2006	614,000 -9.18%
2005	676,045 +6.54%
2004	634,522 +1.59%
2003	624,574 +19.41%
2002	523,060 +33.6%
2001	391,526 -10.84%
2000	439,120 -12.91%
1999	504,226 +4.28%
1998	483,534 +18.9%
1997	406,672

Analysis of results and challenges: In 2007, the total farm gate value of mariculture farms was \$493,598 compared to \$614,000 in 2006. While total farm gate value has been declining the past two years since reaching a high of \$676,045 in 2005, it is considered a short term effect and will begin to turn around in the near term as more product matures to marketable size. Industry analysts expect production to triple over the next ten years, adding that constantly improving grow-out methods, combined with aggressive marketing, should result in price increases for these products.

C1: Strategy - Facilitate economic activities in rural communities.

Target #1: Meet with four Regional Seafood Development Associations (RSDAs) and two Alaska Regional Development Organizations (ARDORs) annually.

Status #1: Met target of meeting with four Regional Seafood Development Associations (RSDAs) and two Alaska Regional Development Organizations (ARDORs) annually.

Analysis of results and challenges: These meetings proved to be helpful in documenting the current challenges facing the fishing industry in rural communities. The Division is presently involved in several activities aimed at reducing the impacts to the industry by helping to identify federal grant monies, prioritizing transportation projects and communicating about available funds for energy efficiency outcomes.

C2: Strategy - Strengthen the decision-making base of information and materials aimed at providing timely, accurate commercial fisheries resources information.

Target #1: Research and write annual reports describing the economic impacts and benefits of the Alaska seafood industry.

Status #1: Met target to research and write annual reports describing economic impacts of seafood industry in the 2007 Alaska Economic Performance Report. (Report published November 2008)

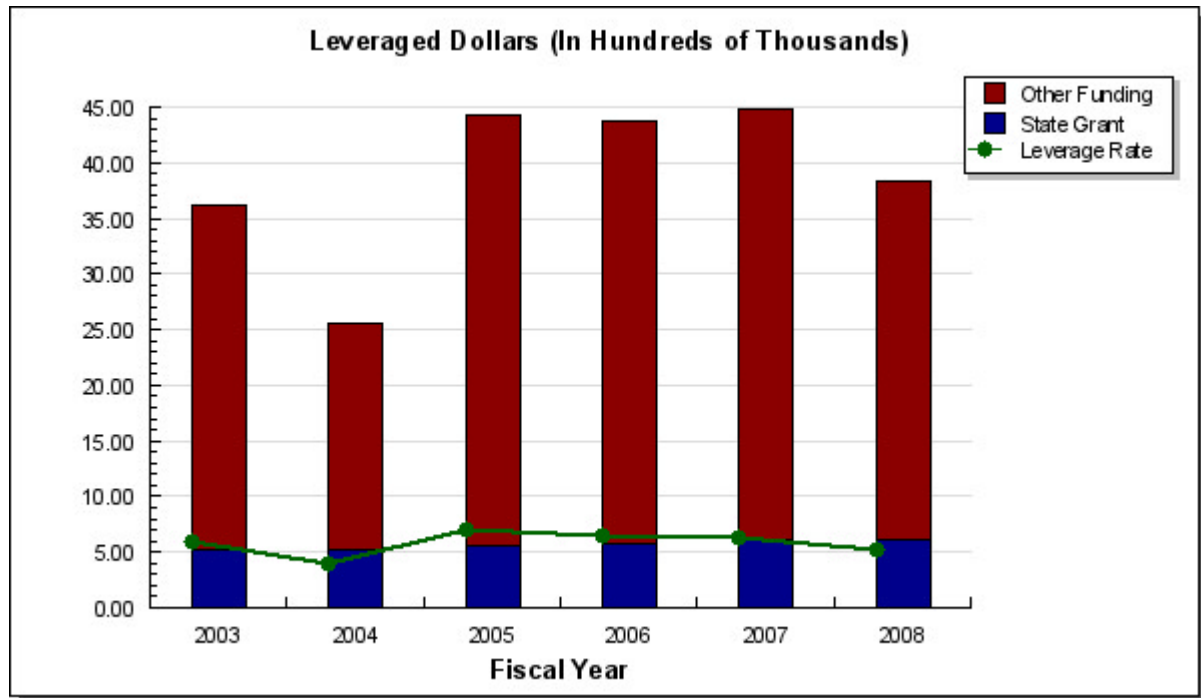
Analysis of results and challenges: In 2007, commercial fishing revenues paid to the state increased to approximately \$70 million, up three percent over the previous year's annual total. This increase is due in part to changes in the taxing structure or rates, but especially reflects the increased demand for Alaska seafood. Alaska's commercial fisheries continue to improve in value under a sustainable management program. Total 2007 Alaska seafood earnings are among the highest in recent years, while seafood exports totaling \$1.98 billion account for over half of Alaska's total 2007 export value. The total seafood harvested in 2007 worth \$1.2 billion to commercial fishermen and \$3.6 billion to seafood processors is just slightly above the 2006 ex-vessel and first wholesale harvest values of \$1.1 billion and \$3.4 billion respectively, and the highest value received for both sectors since 1999.

Approximately 55% of this value occurred in the whitefish fishery. The state manages groundfish harvests inside the three-mile limit in close coordination with federal managers to insure the health of these high value migratory stocks. This management relationship extends to local communities, the Alaska Board of Fisheries, and the seafood industry. The abundant pollock and cod stocks in the Exclusive Economic Zone (EEZ) located outside Alaska's three-mile jurisdictional limits are managed by the National Oceanic and Atmospheric Administration (NOAA) and account for approximately 30-40% of groundfish harvest value. The 2007 first wholesale value for the ground-fish industry was \$2 billion, essentially unchanged from 2006 and accounts for 56% of total first wholesale Alaska seafood value.

D: Result - Alaska Regional Development Organizations (ARDORS) will be more effective in creating and sustaining economic activity within their respective regions.

Target #1: The average rate of leveraged local dollars to State dollars is 4.0

Status #1: With a statewide actual leveraged rate of 5.17 of local dollars to state dollars, the ARDORS program exceeded the target of a 4.0 leverage rate.



Leveraged Dollars (In Hundreds of Thousands)

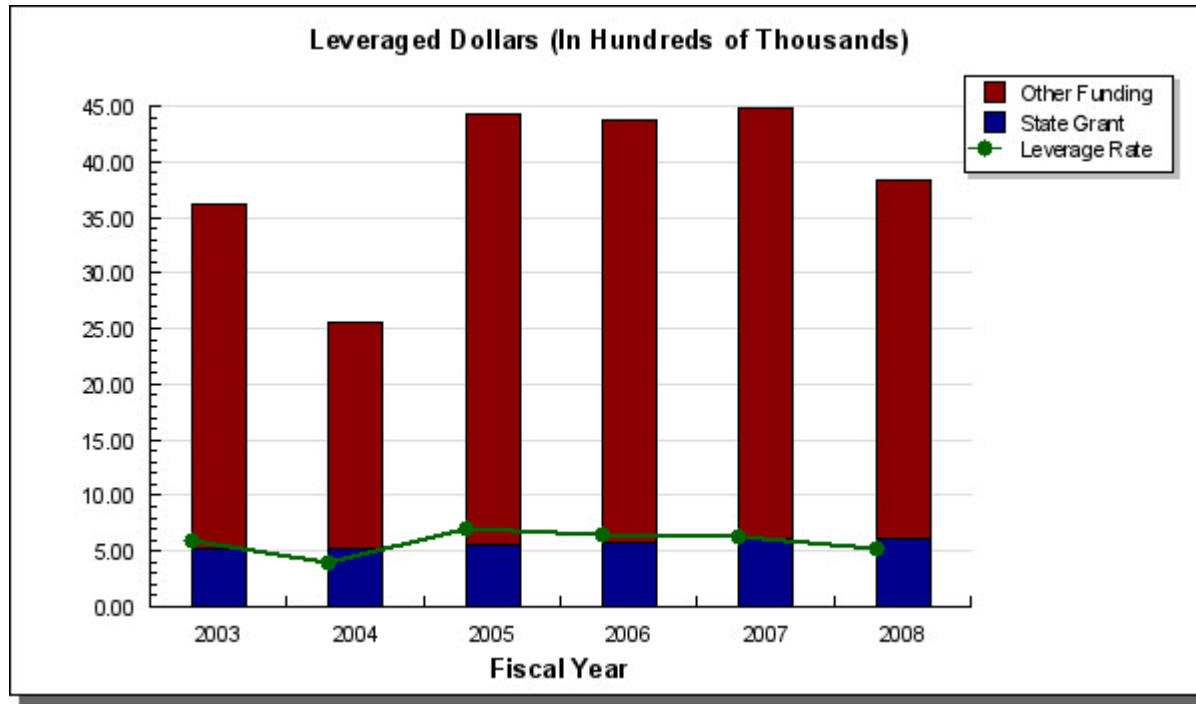
Fiscal Year	State Grant	Other Funding	Leverage Rate
FY 2008	\$6.19995	\$32.06903	5.17 -17.01%
FY 2007	\$6.19995	\$38.59601	6.23 -4.01%
FY 2006	\$5.83816	\$37.86936	6.49 -7.42%
FY 2005	\$5.53224	\$38.76867	7.01 +80.67%
FY 2004	\$5.2473	\$20.34537	3.88 -34.46%
FY 2003	\$5.22990	\$30.95474	5.92

Analysis of results and challenges: Because the ARDORS are local organizations, local businesses and governments can more accurately assess the impact an ARDOR may have in creating and sustaining economic activity within their respective regions. If the ARDOR is deemed successful, businesses and governments are more likely to fund the ARDOR. However, the drop in local support between FY07 and FY08 may be an indicator of the retrenching of the economy, not necessarily a failure of the program.

D1: Strategy - Increase the average rate of leveraged local dollars to State dollars.

Target #1: The average rate of leveraged local dollars to State dollars is 4.0

Status #1: With a statewide actual leveraged rate of 5.17 of local dollars to state dollars, the ARDORS program exceeded the target of a 4.0 leverage rate.

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E: Result - Increased economic benefits from sale of Alaska manufactured products.

Target #1: Increased number of jobs resulting from the sale of Made in Alaska manufactured products.

Status #1: It is difficult to determine the number of jobs the Made in Alaska program produces directly. The registration process for "Made in Alaska" manufacturers and vendors is being changed. The new process should provide data on value of product, number of products, and number of employees. Data will become available during Fiscal Year 2009.

Analysis of results and challenges: It is difficult to determine the number of jobs the Made in Alaska program produces directly. The best way to determine success may be to review the amount of vendors that participate annually in the program. What may also be of interest is the amount of participants that use this kind of support as a primary or secondary source of marketing to produce income.

E1: Strategy - Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.

Target #1: Increase the number of certified Made in Alaska vendors by 3% per year.

Status #1: Target of 3% per year growth in Made in Alaska vendors not met - as of August, 2008; there was a 1.14% increase in the number of certified Made in Alaska vendors.

Number of Certified Vendors

Year	# of Certified Vendors	% Increase
2008	1145 +1.15%	1.14%
2007	1132 +3.19%	3.19%
2006	1097	0

Analysis of results and challenges: Although the increase of vendors was small, the program still shows Alaskans are in favor of this type of marketing support from the State. The challenges continue to include identifying businesses that are not operated as hobbies and have the potential to grow, and helping Alaska small businesses with logistical problems that impede growth.

Target #2: Increase the number of Made in Alaska certified products manufactured per year.

Status #2: Data will be collected and reported during Fiscal Year 2009.

Analysis of results and challenges: The registration process for "Made in Alaska" manufacturers and vendors is being changed. The new provide data on value of product, number of products, and number of employees. Data will become available during Fiscal Year 2009.

Key Component Challenges

- Optimizing the current level of resources to meet increasing needs for economic development.
- Difficulty in obtaining accurate and meaningful industry information. Access to raw data is highly compartmentalized, fractured, and confidential.
- Interagency collaboration to develop and complete projects on behalf of the State.

Significant Changes in Results to be Delivered in FY2010

- Increased emphasis on outreach and networking with economic development groups and business communities throughout the state.
- Remove barriers to obtaining information, which are currently hindering acquisition of tax information to facilitate more accurate reporting.

- Increase understanding of economic impacts on local, regional and state economy as well as the economic landscape in rural Alaska. Report to emphasize rural Alaska's economic opportunities.

Major Component Accomplishments in 2008

- The gross value of the minerals industry reached \$4.0 billion in 2007.
- Published the annual minerals industry report.
- Approved a new Regional Seafood Development Organization for Alaska Peninsula / Aleutian Islands.
- Completed the Alaska Economic Performance Report 2007 for commercial fisheries.
- Responded to 231 requests for technical seafood information spanning topics from rural seafood project funding sources to navigating the permit process.
- Development of a new region in Alaska designated as an Alaskan Regional Development Organization (ARDOR).
- Completed Summer 2007 and Fall/Winter 2007/2008 visitor updates for the Alaska Visitor Statistics Program.
- Produced two educational DVDs (*Operating a Bed and Breakfast in Alaska* and *Navigating Tourism Business Opportunities with the Alaska Cruise Industry*).
- Through the Tourism Mentorship Assistance Program, helped tourism entrepreneurs negotiate the challenges of owning and operating a small business and helped secure over \$110,000 in funding for several tourism businesses (through the Alaska Marketplace competition).
- Submitted a proposal to U.S. Economic Development Administration and were awarded \$300,000 for a new rural tourism product development project under our Developing Alaska Rural Tourism (DART) program.
- Served 8,500 visitors at the Tok Alaska Public Lands Information Center (TAPLIC) and transacted \$170,000 in AMHS sales.
- Enhanced Small Business Development Center.
- Completed the 2007 Alaska Economic Performance Report and redesign.
- Refined Net Rate of Return report to improve information quality.
- Provided Governor's Office with economic information related to economic disaster declarations.

Statutory and Regulatory Authority

AS 44.33.020	Department of Commerce, Community and Economic Development
AS 44.33.020 & AS 44.33.740	Rural Development
AS 44.33.431	Alaska Minerals Commission
AS 44.33.020(36)	Tourism Development
AS 44.33.895	Alaska Regional Development Organizations Program
AS 36.30.332-338	Alaska Product Preference
AS 45.65.010-070	Made in Alaska Program

Contact Information
<p>Contact: Joe Austerman, Development Manager Phone: (907) 269-8112 Fax: (907) 269-8125 E-mail: joe.austerman@alaska.gov</p>

Office of Economic Development Component Financial Summary

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,035.5	1,485.9	1,549.0
72000 Travel	52.6	89.5	89.5
73000 Services	311.9	724.1	726.1
74000 Commodities	24.9	24.6	25.3
75000 Capital Outlay	0.1	17.9	17.9
77000 Grants, Benefits	679.4	620.0	677.7
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,104.4	2,962.0	3,085.5
Funding Sources:			
1002 Federal Receipts	0.0	169.4	169.6
1004 General Fund Receipts	88.9	291.8	313.2
1007 Inter-Agency Receipts	709.0	742.4	842.0
1061 Capital Improvement Project Receipts	115.3	103.5	104.8
1108 Statutory Designated Program Receipts	40.4	128.4	128.4
1175 Business License and Corporation Filing Fees and Taxes	1,085.0	1,200.9	1,200.9
1200 Vehicle Rental Tax Receipts	65.8	325.6	326.6
Funding Totals	2,104.4	2,962.0	3,085.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	0.0	169.4	169.6
Interagency Receipts	51015	709.0	742.4	842.0
Statutory Designated Program Receipts	51063	40.4	128.4	128.4
Business License Receipts	51173	1,085.0	1,200.9	1,200.9
Capital Improvement Project Receipts	51200	115.3	103.5	104.8
Restricted Total		1,949.7	2,344.6	2,445.7
Total Estimated Revenues		1,949.7	2,344.6	2,445.7

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	617.4	169.4	2,175.2	2,962.0
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources in the Salary Adjustment for the Existing Bargaining Unit Agreements	22.2	0.0	-22.2	0.0
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.2	0.2	24.8	25.2
Proposed budget increases:				
-Reflect RSA with DMV to provide DMV services to Tok and surrounding communities	0.0	0.0	40.6	40.6
-Fund each Alaska Regional Development Organizations (ARDORS) at the FY09 level	0.0	0.0	57.7	57.7
FY2010 Governor	639.8	169.6	2,276.1	3,085.5

**Office of Economic Development
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2009</u> <u>Management</u> <u>Plan</u>	<u>FY2010</u> <u>Governor</u>		
Full-time	13	13	Annual Salaries	1,037,848
Part-time	2	2	COLA	36,769
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	482,855
			<i>Less 0.54% Vacancy Factor</i>	(8,472)
			Lump Sum Premium Pay	0
Totals	18	18	Total Personal Services	1,549,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant II	1	0	0	0	1
Administrative Clerk II	0	0	0	3	3
Administrative Supervisor	0	0	0	1	1
College Intern IV	0	1	0	0	1
Dev Spec I, Option A	2	0	0	0	2
Dev Spec II, Option A	1	0	2	0	3
Dev Spec II, Option B	0	2	1	0	3
Development Manager	1	0	0	0	1
Economic Development Advisor	1	0	0	0	1
Planner III	0	0	1	0	1
Project Manager	1	0	0	0	1
Totals	7	3	4	4	18